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PERFORMANCE INDICATORS AND EVALUATION

Note by the Secretariat

Reports on progress in introducing a system of performance indicators to assess the implementation of the Business Plan.

Introduction

1. In resolution GC.7/Res.1, the General Conference requested the Director-General to keep Member States informed about the implementation of the Business Plan, *inter alia*, through a range of performance indicators. The efforts of the Secretariat in developing performance indicators were subsequently covered in a number of documents (IDB.19/CRP.2, IDB.20/17, IDB.20/CRP.5, PBC.15/CRP.3).

I. RECENT DEVELOPMENTS

2. A number of developments relevant to the elaboration of performance indicators have occurred in recent months:

(a) The proposed programme and budgets for 2000-2001 aligned the Business Plan, the new service modules and the budgets. This facilitates the design of specific performance indicators as exemplified by the nine organization-wide performance indicators presented in document PBC.15/CRP.3.

(b) In elaborating the performance indicators, an integrated monthly financial performance reporting system was established in April 1999 using some 30 inter-linked programmatic and financial measures and indicators. These are used for target-setting, monitoring and implementation control.

(c) Work is under way to define performance indicators for all substantive programmes under Major Programmes C and D based on the proposed programme and budgets for the biennium 2000-2001. These substantive programmes are already linked to expected outputs of the service modules. The performance indicators (covering for example manufacturing value added, enhanced productivity, exports, employment, and elimination of ozone-depleting substances) will be used to assess the effectiveness and impact of UNIDO services in terms of the 3 Es (competitive Economy, productive Employment, sound Environment).

(d) In implementing the integrated programmes, team leaders are developing specific performance indicators to assess the effectiveness and impact of programmes.

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3. Interest in the application of performance indicators has been growing in the United Nations system. In March 1999, a high-level meeting of CCAQ discussed the issue of performance indicators and result-based budgeting with a view to establishing clear methods for assessing organizational performance. While it was recognized that the establishment of performance indicators is difficult both conceptually and technically, it was nonetheless acknowledged that the measurement of impact and outcome is possible. It was agreed that United Nations agencies would exchange experience in formulating performance indicators using the Internet. UNIDO will participate actively in this exchange.

4. Despite the obvious difficulties involved, UNIDO is committed to designing and using performance indicators. But it should be underscored that assessing development services requires time—normally several years—for impact to emerge. Development is a medium- to long-term task and not a short-term one. Moreover, of the many external factors that influence project impact, most are beyond the control of UNIDO. Finally, the potential impact of UNIDO services will clearly be limited by the resources available for their provision. Nonetheless, UNIDO's task is to achieve maximum "value for money" within these constraints. In other words, through its catalytic role, UNIDO seeks to add value and generate more impact than the limited resources at its disposal would imply. In this way, "impact measures" would show the cost-effectiveness and multiplier effect of UNIDO services.

II. PERFORMANCE INDICATORS AND EVALUATION

5. Establishing performance indicators to assess effectiveness and impact of the integrated programmes as explained in paragraph 2 (d) facilitates the work of evaluation. Indicators will provide evaluators with performance standards against which actual performance can be measured, as well as the "means of verification". The use of common performance indicators and measures facilitates the integration of the evaluation function into the programmatic and management processes of UNIDO.

6. In March 1998, the Cross-Organizational Team on Evaluation issued a report containing a number of recommendations to strengthen evaluation functions. An important recommendation was the integration of evaluation functions into UNIDO's core programme and project process. This was implemented in March 1999, with the integration of the evaluation staff into the Office of Internal Oversight (ODG/OIO). Evaluation and audit functions are now integrated to enhance synergy between audit (focused primarily on efficiency) and evaluation (focused primarily on effectiveness) of UNIDO operations.

7. Reflecting the new developments with respect to performance indicators, the approach to evaluation of UNIDO programmes and projects is under review:

(a) In future, the focus will be on independent, in-depth evaluation of programmes and projects. The self-evaluation system, with progress and terminal reports reviewed by ODG/OIO (which also served the purpose of compiling organization-wide performance indicators on technical cooperation) will continue as long as stand-alone projects exist. For the integrated programmes, a PC-based monitoring system is being introduced with data to be regularly updated by team leaders.

(b) In October 1998, a system of rapid assessment of UNIDO project and programme performance by UNIDO Representatives in the field was established (DGAI No. 9). A recent decision to allocate $20,000 to some field offices will facilitate that process.

(c) Measures will be taken to maintain effective monitoring functions at the output level.

III. CONCLUSION

8. The purpose of the system of performance indicators is to facilitate the assessment of UNIDO services with reference to the priorities of the Business Plan, the decentralization of functions to the field, and efficient and effective use of resources. The Secretariat has made significant progress during the past 18 months in establishing a system of performance indicators, some of which are already being applied. Indicators for impact are being designed. Evaluation functions are being strengthened through a new organizational location and a new approach. All these will provide Member States with tools to assess the performance of the new UNIDO.

9. Some indicators have clearly shown that UNIDO has complied with the Business Plan. For example, the focusing of UNIDO activities is clearly shown in the limited number of service modules where UNIDO has a competitive advantage. Resources allocated to field offices have been increased, and those for administration reduced considerably. The performance indicators will facilitate the Secretariat's efforts to improve its performance and Member States' oversight.

IV. ACTION REQUIRED OF THE BOARD

10. The Board may wish to take note of the information provided in the present document.